

STATUTORY FUNDING FORMULA COSTS

A majority of General Fund expenditures are determined by statutory funding formulas. These “mandatory” items are those that would require a change in permanent statute in order to spend at a level other than determined by current law.

Attachment A displays all of the major programs that have their funding determined by some type of statutory funding formula. The majority of this spending consists of Title XIX State Match in the AHCCCS, Department of Health Services and Department of Economic Security budgets, K-12 Education formula funding, and School Facilities Board funding. In total, funding formula spending makes up approximately \$6.3 billion of the state budget in FY 2007. This represents about 67% of total General Fund spending and leaves \$3.2 billion in non-formula spending in FY 2007. In comparison, statutory formulas also constituted 64% of spending in FY 2005.

Laws 1995, Chapter 196 added language to many programs traditionally defined as “mandatory” to clarify that the Legislature is under no obligation to fund the programs beyond the original appropriation. Specifically, Chapter 196 added a general provision (A.R.S. § 1-254) that no statute construes a requirement for the expenditure of state monies in excess of a specific legislative appropriation. It then added this same language to a number of specific programs, such as AHCCCS, Community Colleges operating state aid, Foster Care and a number of other programs within the Department of Economic Security, K-12 funding formulas, and Behavioral Health and Children’s Rehabilitative Services within the Department of Health Services. The Chapter 196 language has yet to be used in an attempt to cap any spending program at its appropriated level.

**Statutory Funding Formula
General Fund Expenditures**

<u>Agency</u>	<u>FY 2007</u>	<u>Comments</u>
Arts Commission - Arts Endowment Fund	2,000,000	Legislature added \$5,000,000 above that amount to arrive at intended \$20 million state contribution and elimination of statutory requirement
AHCCCS		
- Title 19 State Match	823,712,700	Excludes Administration, Dispro Share, Critical Access, Hospital Loan, Rural Hospital Reimbursement, and Medicare Part D co-pay subsidy. Includes county hold harmless.
- Proposition 204 State Match	198,804,200	
- Title 21 (KidsCare) State Match	33,060,600	
Board of Regents	7,161,200	Financial Assistance
Community Colleges	162,786,600	District Operating, Capital and Equalization Aid
Economic Security, Dept. of		
- Title XIX Long-Term Care State Match	240,477,000	Includes pass-through to Administration Division
- TANF Cash Benefits	56,308,200	
- Tuberculosis Control	32,200	
- Child Care - Day Care subsidy	75,482,900	Reflects GF appropriation in Day Care Subsidy SLI
Education, Dept. of		
- Basic State Aid	3,565,330,900	
- Additional State Aid	324,224,300	
- Special Education Vouchers	35,235,500	
Environmental Quality, Dept. of	15,000,000	
Emergency & Military Affairs, Dept. of		
- Governor's Emergency Fund	4,000,000	
Health Services, Dept. of		
- Title XIX State Match	206,142,000	Behavioral Health and CRS. Excludes Administration. Includes premium tax.
- Proposition 204 State Match	82,837,900	
Judiciary		
- Judges' Salaries	14,340,500	State pays 50% of Superior Court salaries. Includes benefits (ERE).
- Juvenile Probation	15,562,200	Probation officers ratio in statute. Maricopa Co. paid for probation in FY 07. The Judiciary budget was reduced by \$7.5 M as a result of this cost shift and this figure excludes that amount as well.
- Adult Probation	21,721,900	Probation officers ratio in statute; Maricopa Co. paid for its adult probation programs beginning in FY 04. The Judiciary budget was reduced by \$24.5 M in FY 04 as a result of this cost shift and this figure excludes that amount as well.
Land Department	3,000,000	Wildfire Emergency
State Parks Board	20,000,000	Growing Smarter
School Facilities Board		
- Building Renewal	86,283,500	Formula generated \$161.5 M for FY 07, but was suspended
- New Schools Facilities Fund	75,733,500	Debt service payment
- New School Construction	250,000,000	Cash payments for new school construction
Tourism	14,986,000	
State Treasurer	2,949,000	Justice of the Peace salaries - Permanent law requires the state to pay 40% of JP's salaries. FY 07 session law set formula at 38.5%.
Water Resources, Dept. of	-	\$5 million Water Protection Fund deposit suspended in FY 05
TOTAL GF FUNDING FORMULA EXPENDITURES	\$ 6,337,172,800	
Total General Fund Expenditures	9,518,896,100	Operating Budget appropriations, excludes one-time expenditures, administrative adjustments, revertments, and maximizing federal funds savings
Less: GF Funding Formula Expenditures	(6,337,172,800)	
Net Non-Formula Spending	3,181,723,300	